

# UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

## HOUSTON METHODIST

March 31, 2019

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# UNAUDITED CONSOLIDATED BALANCE SHEETS

## HOUSTON METHODIST

(In Thousands)

	March 31, 2019	December 31, 2018
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 231,605	\$ 246,850
Assets limited as to use	1,424,746	1,438,035
Patient accounts receivable, net	531,161	510,679
Inventory and other current assets	117,092	112,031
<b>Total Current Assets</b>	<b>2,304,604</b>	<b>2,307,595</b>
Assets limited as to use, net of amounts required to meet current obligations	2,753,526	2,358,220
Property and equipment, net	4,456,983	4,279,468
Other assets	77,551	84,232
<b>Total Assets</b>	<b>\$9,592,664</b>	<b>\$9,029,515</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expense	\$ 616,529	\$ 624,361
Estimated third-party settlements	130,718	88,495
Short-term bond debt	1,327,616	1,327,616
<b>Total Current Liabilities</b>	<b>2,074,863</b>	<b>2,040,472</b>
Long-term bond debt	304,692	304,741
Other long-term obligations	179,722	55,125
<b>Total Liabilities</b>	<b>2,559,277</b>	<b>2,400,338</b>
<b>Net Assets</b>		
Without restrictions	6,507,986	6,152,149
Donor restricted	525,401	477,028
<b>Total Net Assets</b>	<b>7,033,387</b>	<b>6,629,177</b>
<b>Total Liabilities and Net Assets</b>	<b>\$9,592,664</b>	<b>\$9,029,515</b>

# UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

## HOUSTON METHODIST

(In Thousands)

		Three Months Ended March 31,	
		2019	2018
<b>Revenue</b>			
Net patient revenue		\$ 1,133,581	\$ 984,117
Other revenue		54,999	39,282
<b>Total Revenue</b>		<b>1,188,580</b>	<b>1,023,399</b>
<b>Expense</b>			
Salaries and related personnel costs		613,876	566,192
Supplies and pharmaceuticals		217,163	185,579
Services and other expense		151,444	132,009
		<b>982,483</b>	<b>883,780</b>
<b>Earnings Before Interest, Depreciation, and Amortization</b>		<b>206,097</b>	<b>139,619</b>
Depreciation and amortization		79,893	71,376
Interest, net		8,666	7,093
		<b>88,559</b>	<b>78,469</b>
<b>Operating Income</b>		<b>117,538</b>	<b>61,150</b>
Investment results and other, net		238,308	763
<b>Excess of Revenue Over Expense</b>		<b>\$ 355,846</b>	<b>\$ 61,913</b>

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

HOUSTON METHODIST

(In Thousands)

	Three Months Ended March 31,	
	2019	2018
<b>Net Assets Without Restrictions</b>		
Excess of revenue over expense	\$ 355,846	\$ 61,913
Transfer of matching funds to donor restricted net assets	(112)	(49)
Transfer from donor restricted net assets	103	306
<b>Increase in Net Assets Without Restrictions</b>	<b>355,837</b>	<b>62,170</b>
<b>Donor Restricted Net Assets</b>		
Investment results, net	30,697	(395)
Contributions	23,382	5,055
Transfer from net assets without restrictions	112	49
Other, primarily assets released from restrictions	(5,818)	(5,203)
<b>Increase (Decrease) in Donor Restricted Net Assets</b>	<b>48,373</b>	<b>(494)</b>
<b>Increase in Net Assets</b>	<b>404,210</b>	<b>61,676</b>
<b>Net assets, beginning of year</b>	<b>6,629,177</b>	<b>6,321,779</b>
<b>Net Assets, March 31</b>	<b>\$7,033,387</b>	<b>\$6,383,455</b>

# UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

## HOUSTON METHODIST

(In Thousands)

	Three Months Ended March 31,	
	2019	2018
<b>Operating Activities</b>		
Cash received from patient services	\$ 1,159,538	\$ 1,040,326
Other receipts from operations	40,596	37,903
Interest, dividends, and other income received	16,586	7,894
Cash paid to or on behalf of employees	(653,908)	(575,212)
Cash paid for supplies and services	(345,286)	(364,350)
Interest paid	(8,715)	(7,983)
<b>Net Cash Provided by Operating Activities</b>	<b>208,811</b>	<b>138,578</b>
<b>Investing Activities</b>		
Purchases of property and equipment	(134,385)	(128,838)
Net increase in assets limited as to use	(94,337)	(13,549)
<b>Net Cash Used in Investing Activities</b>	<b>(228,722)</b>	<b>(142,387)</b>
<b>Financing Activities</b>		
Contributions received for perpetual in nature restricted net assets	4,666	6,444
<b>Net Cash Provided by Financing Activities</b>	<b>4,666</b>	<b>6,444</b>
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	<b>(15,245)</b>	<b>2,635</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>246,850</b>	<b>102,958</b>
<b>Cash and Cash Equivalents at March 31</b>	<b>\$ 231,605</b>	<b>\$ 105,593</b>

**HOUSTON METHODIST**  
**KEY HOSPITAL VOLUME INDICATORS**

	<b>For the Three Months</b>	
	<b><u>Ended March 31,</u></b>	
	<b><u>2019</u></b>	<b><u>2018</u></b>
Admissions	30,453	27,515
Equivalent Admissions <sup>(1)</sup>	58,226	51,119
Inpatient Days	162,440	150,950
Average Length of Stay	5.33	5.49
Percentage of Occupancy <sup>(2)</sup>	77%	75%
Operating Beds	2,333	2,247
Beds Licensed	3,067	2,794
Outpatient Revenue <sup>(3)</sup>	46%	44%
Medicare case mix index	1.94	2.00

<sup>(1)</sup> Expressed as outpatient revenue / inpatient revenue x inpatient admissions + inpatient admissions

<sup>(2)</sup> Percent occupancy computed based on operating beds.

<sup>(3)</sup> Expressed as a percentage of gross patient revenue.

# HOUSTON METHODIST

## PAYOR MIX SUMMARY

For the Three Months  
Ended March 31,

	<u>2019</u>	<u>2018</u>
Managed Care and Other	39%	39%
Medicare	51%	50%
Medicaid	5%	6%
Self- Pay	5%	5%
Total	100%	100%